GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4915
ANSWERED ON:31.03.2017
Forward Markets Commission
Tadas Shri Ramdas Chandrabhanji

Will the Minister of FINANCE be pleased to state:

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(a) The major functions of Forward Markets Commission (FMC) along with role played by it in commodity trading in agriculture sector;

(b) The extent by which the FMC has brought about transparency in the agriculture sector and enabled the farmers to discover the market price for agriculture products;

(c) whether the Government has received a number of complaints with regard to the functioning of the said Commission during the last three years and the current year; and

d) if so, the details thereof along with the action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) In compliance of the provision of the Finance Act, 2015, the Forward Markets Commission(FMC), Mumbai was dissolved w.e.f. 28.09.2015 and its commodities derivatives markets regulatory functions were made over to the Securities and Exchange Board of India, Mumbai w.e.f. 29.09.2015.
Prior to having been dissolved, FMC was a regulatory authority for futures trading in agricultural as well as non- agricultural commodities. Its functions included:

a. To advise the Central Government in respect of the recognition or the withdrawal of recognition from any association or in respect of any other matter arising out of the administration of the Forward Contracts (Regulation) Act 1952.

b. To keep forward markets under observation and to take such action in relation to them, as it may consider necessary, in exercise of the powers assigned to it by or under the Act.

c. To collect and whenever the Commission thinks it necessary, to publish information regarding the trading conditions in respect of goods to which any of the provisions of the Act is made applicable, including information regarding supply, demand and prices, and to submit to the Central Government, periodical reports on the working of forward markets relating to such goods;

d. To make recommendations generally with a view to improving the organization and working of forward markets;

e. To undertake the inspection of the accounts and other documents of any recognized association or registered association or any member of such association whenever it considers it necessary.

In order to protect market integrity, the FMC used to prescribe the following measures:

i. Limit on open position of an individual members as well as client to prevent over trading;
ii. Limit on price fluctuation (daily/weekly) to prevent abrupt upswing or downswing in prices;
iii. Special margin deposits to be collected on outstanding purchases or sales to curb excessive speculative activity through financial restraints;

In addition to the above measures, the regulator used to call for daily reports from the Exchanges and takes steps to ensure that there is no misuse of the market and that the prices reflected on the Exchange platform are governed by the demand and supply factors in the physical markets.

b) FMC implemented the Central Sector Scheme - Strengthening of FMC since 2005-06. The ultimate objective of this Scheme was to establish a well-regulated commodity futures market that provides an efficient platform for price discovery and price risk management with increased and informed participation by all constituents including farmers. This Plan scheme included one of the important components of connectivity of commodity exchanges with Agricultural Produce Market Committees (APMCs) / Post offices / Rural Bank branches / Cooperatives / Rural Extension Centres / AGMARK NET and other agricultural marketing networks for dissemination of future prices.

(c) & (d) FMC has ceased to exist since 28.09.2015. Certain complaints about the role of FMC in the past in the matter of regulating

commodities exchanges such as National Spot Exchange Limited etc. are sporadically received which are examined/referred to agencies concerned for appropriate action.

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